

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 852 - HB 1145

April 10, 2023

SUMMARY OF BILL: Designates the Tennessee Valley Railroad Museum in Chattanooga as a premier type tourist resort for the purposes of selling alcoholic beverages for on-premises consumption.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – \$2,300/FY23-24/ABC Fund
\$2,000/FY24-25 and Subsequent Years/ABC Fund
\$18,900/FY23-24 and Subsequent Years/General Fund**

Increase Local Revenue – \$14,800/FY23-24 and Subsequent Years/Permissive

Assumptions:

- This legislation only applies to one entity located in Chattanooga, Hamilton County.
- It is assumed that TN Valley Railroad Museum will seek a Premier Type Tourist Resort license.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- A total increase in state revenue to ABC of \$2,300 (\$300 + \$2,000) in FY23-24 and an increase in state revenue to ABC of \$2,000 in FY24-25 and subsequent years.
- Pursuant to Tenn. Code Ann. § 57-4-301(b)(2), the local privilege tax is estimated to be \$1,500 for a Premier Type Tourist Resort.
- Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Hamilton County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcohol in FY23-24.
- Based on historical LBD tax return data, the average taxable base per establishment is estimated to be approximately \$133,000 per year.

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- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size and location of this particular venue, the recurring increase in sales is estimated to be \$133,000 per year.
- The recurring increase in state revenue to the General Fund in FY23-24 and subsequent years is estimated to be \$18,948 [$(\$133,000 \times 7.0\%) - (\$133,000 \times 7.0\% \times 3.617\%) + (\$133,000 \times 15.0\% \times 50.0\%)$].
- The recurring increase in local revenue in FY23-24 and subsequent years is estimated to be \$14,804 [$\$1,500 + (\$133,000 \times 2.25\%) + (\$133,000 \times 7.0\% \times 3.617\%) + (\$133,000 \times 15.0\% \times 50.0\%)$].
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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